



*Capital Access for Main Street: Meeting Opportunities of Growth
along the Lower Columbia*

**Report on Access to Capital and SBA Loan Program Performance
in Southwest Washington and Oregon**

April 16, 2014

U.S. Senate Committee on Small Business & Entrepreneurship

Senator Maria Cantwell, Chairwoman

Data provided by the Small Business Administration, April 14, 2014

Introduction

The Small Business Administration (SBA) has two marquee loan partnership programs that help small businesses gain access to capital by reducing risk for lenders. Those programs – the SBA 7(a) loan program which provides working capital, and the SBA 504 loan program which provides equipment or real estate loans – are critical to America’s small business economy and support more than 550,000 jobs nationwide.

In fiscal year 2013, the SBA approved 46,398 loans in the 7(a) program, which totaled \$17.9 billion in gross approvals from 2,345 lenders. In turn, the program supported 483,976 jobs and assisted 40,574 small businesses.

In fiscal year 2013, the SBA approved 7,708 loans in the 504 program, which totaled \$5.2 billion and supported \$11.8 billion in overall lending and 90,257 jobs.

And while performance of both the 7(a) and 504 programs continues to be strong nationwide in fiscal year 2014, the loan performance in Southwest Washington and Oregon shows more mixed results – though there is great opportunity. For instance, more than 100 lenders have issued 7(a) loans since 2008 in Southwest Washington through the Portland SBA District Office. But just 30 of those lenders issued more than 5 loans over the six year span – indicating banks are interested in the program, but are not taking full advantage of its opportunities.

SBA has made increasing the number of participants in its loan programs a priority, which should help increase access to capital to underserved regions. **As the economy continues to recover, small businesses will require more community banks and credit unions alike to carry and promote SBA-backed loan products that – at no cost to the taxpayer – help reduce risk to lender and allow the small business to create jobs.**

Unless otherwise noted, data included in this report captures loan numbers and values issued from October 1 (the start of the federal fiscal year) to April 4, for each of fiscal years 2009, 2010, 2011, 2012, 2013, 2014. This method of data analysis allows an apples-to-apples comparison of lending trends year-over-year.

Top highlights include:

- **The Portland SBA District (which includes Oregon and Southwest Washington) is the only market on the West Coast where approved loan numbers are down from six years ago.** All other West Coast SBA District Offices (Fresno, Los Angeles, Sacramento, San Diego, San Francisco, Santa Ana, and Seattle) approved more loans in fiscal year 2014 than the same period in fiscal year 2009. The decrease in the Portland District is only 4.7 percent, though.
- **The raw approval numbers of 7(a) loans in the Washington state counties of Clark and Cowlitz decreased by 16.2 percent and 33.3 percent, respectively, from fiscal year 2009 to fiscal year 2014.** In this metric, Multnomah, Washington, and Clackamas Counties in Oregon all showed gains.
- **In fiscal year 2014 through April 4, Clark County 7(a) loan dollars approved were 12.1 percent higher than the same time period in fiscal year 2009.** That long-term growth in lending is a positive development, as more financing is pushed out the door – though the fiscal year 2014 value is less than the value the year before. Regionally, the largest gains were in Multnomah County, where 7(a) loan dollars approved were 265.9 percent higher than the level in fiscal year 2009 (though down from a peak in fiscal year 2011).
- **Loan dollar amounts in the SBA 504 program are up in Clark (up 37.4 percent) and Multnomah (up 81.4 percent) counties,** compared to levels in fiscal year 2009.

Regional SBA 504 and 7(a) Loan Performance

Over the past six years, the best performing market of all eight West Coast SBA district offices was Los Angeles – the total loan (7(a) and 504) dollar amount approved in fiscal year 2014 is up 159.8 percent from the same period in fiscal year 2009. The Portland District is only up 75.6 percent in dollars between fiscal year 2009 and fiscal year 2014 – the second worst performing West Coast district.

In fact, looking at total approved SBA loan numbers between fiscal year 2009 and fiscal year 2014, the Portland District is the only market on the West Coast where numbers are down from six years ago. All other SBA District Offices (Fresno, Los Angeles, Sacramento, San Diego, San Francisco, Santa Ana, and Seattle) approved more loans in fiscal year 2014 through April 4 than the same time period in fiscal year 2009. Interestingly, despite the decrease in total loan numbers, though, the value of the total loan dollar amount in Clark County increased by 19.9 percent over the same span in fiscal year 2009.

Among counties along the lower Columbia, SBA loan activity has varied greatly over the past six fiscal years:

Number of Approvals SBA 7(a) and SBA 504 loans*	FY09	FY10	FY11	FY12	FY13	FY14
CLACKAMAS, OR	33	49	37	36	41	37
CLARK, WA	39	47	42	41	52	34
COWLITZ, WA	7	6	11	2	7	4
MULTNOMAH, OR	78	102	107	86	95	92
WASHINGTON, OR	55	69	55	51	55	69

*between October 1 and April 4

Within that time span, total loan approvals in Clark County are at the lowest level within the past six years, and Cowlitz County is having its second worse year of total loan approvals. Multnomah County is up in loan approvals during the October 1 through April 4 time span over the past six years, though still down compared to fiscal year 2013. That said, total dollar amounts approved were up in each county in fiscal year 2014, compared to fiscal year 2009:

Approval Amounts SBA 7(a) & 504 loans*	FY09	FY10	FY11	FY12	FY13	FY14
CLACKAMAS, OR	\$8,195,300	\$14,263,000	\$16,305,300	\$7,930,700	\$23,766,800	\$12,092,600
CLARK, WA	\$7,000,900	\$12,983,600	\$15,292,900	\$27,809,300	\$29,960,500	\$8,397,900
COWLITZ, WA	\$5,654,500	\$2,676,000	\$4,414,500	\$1,535,000	\$3,731,000	\$7,655,000
MULTNOMAH, OR	\$15,247,500	\$28,470,000	\$44,315,700	\$32,921,800	\$31,075,600	\$45,175,100
WASHINGTON, OR	\$20,561,200	\$21,768,800	\$23,803,300	\$20,951,500	\$22,170,100	\$29,983,800

*between October 1 and April 4

Looking at total approval amounts, Clark County is up only slightly from the depths of the economic recession in fiscal year 2009 (despite increasing in the intervening years) – and other counties in the Southwest Washington/Oregon region along the Lower Columbia have recovered far stronger.

For instance, in the October 1 through April 4 time span, total SBA 7(a) and 504 loan dollars approved in Clark County went up 19.95 percent between fiscal years 2009 and 2014 – to a total of \$8.3 million so far in fiscal year

2014. But across the river in Clackamas County, Oregon loan approvals were up 47.5 percent, and Multnomah County loan approvals were up 196.2 percent over the same time spans.

SBA 7(a) Loan Performance

The 7(a) Loan Guaranty Program is the SBA's flagship loan program that provides working capital variable-interest rate loans with a maximum term of 25 years. Among other uses, the loans can be used to purchase inventory, finance working capital, construct new buildings, or renovate existing facilities.

In fiscal year 2013, the Small Business Administration issued 1,332 loans in Washington state in the 7(a) program, coming to a total value of \$557.54 million.

Looking at the overall 7(a) program in five Southwest Washington and Oregon counties, loan approvals from fiscal year 2009 to fiscal year 2014 increased by 6 percent. That increase was largely spurred by Washington County – with an increase in 62 loans in fiscal year 2014 over the same period in fiscal year 2009. Multnomah and Clackamas Counties increased by 9.8 percent and 6 percent, respectively.

The approvals for 7(a) loans in Washington state counties of Clark and Cowlitz decreased by 16.2 percent and 33.3 percent, respectively, from fiscal year 2009 to fiscal year 2014:

Number of Approvals SBA 7(a) loans*	FY09	FY10	FY11	FY12	FY13	FY14
CLACKAMAS, OR	32	46	33	33	37	34
CLARK, WA	37	44	37	37	47	31
COWLITZ, WA	6	4	8	2	6	4
MULTNOMAH, OR	71	93	97	78	85	78
WASHINGTON, OR	51	66	45	46	48	62

*between October 1 and April 4

In terms of raw dollars approved in the SBA 7(a) program between fiscal years 2009 and 2014 – capturing the time span between October 1 and April 4 – counties in Southwest Washington and Oregon had widely varying outcomes.

In fiscal year 2014 through April 4, Clark County **7(a) loan dollars approved were 12.1 percent higher than the same time period in fiscal year 2009**. That long-term growth in lending is a positive development, as more financing is pushed out the door – though the fiscal year 2014 value is less than the value the year before. Regionally, the largest gains were in Multnomah County, where 7(a) loan dollars approved were 265.9 percent higher than the level in fiscal year 2009 (though down from a peak in fiscal year 2011).

Approval Amounts SBA 7(a) loans*	FY09	FY10	FY11	FY12	FY13	FY14
CLACKAMAS, OR	\$6,849,300	\$12,608,000	\$12,371,300	\$6,227,700	\$20,897,800	\$10,780,600
CLARK, WA	\$4,831,900	\$10,905,600	\$12,859,900	\$22,752,300	\$26,483,500	\$5,416,900
COWLITZ, WA	\$3,993,500	\$1,984,000	\$3,490,500	\$1,535,000	\$3,430,000	\$7,655,000
MULTNOMAH, OR	\$9,490,500	\$24,095,000	\$37,092,700	\$26,090,800	\$24,352,600	\$34,730,100
WASHINGTON, OR	\$13,743,200	\$20,235,800	\$19,097,300	\$12,953,500	\$13,629,100	\$24,493,800

*between October 1 and April 4

SBA 504 Loan Performance

The SBA's 504 Certified Development Company (504/CDC) loan guaranty program provides long-term (up to 20 years), fixed-rate financing for major fixed assets, such as land, real-estate, equipment, and machinery. Of the total project costs, a third-party lender (e.g. commercial bank or credit union) must provide at least 50% of the financing, the CDC provides up to 40% of the financing through a 100% SBA-guaranteed debenture, and the applicant provides at least 10% of the financing.

In fiscal year 2013, the Small Business Administration issued 183 loans in Washington state in the 504/CDC program, coming to a total value of \$137 million.

Looking at Southwest Washington and Oregon counties, total approvals of 504 loans have doubled in Multnomah County during the same time span between fiscal years 2009 and 2014. In Southwest Washington, use has been sporadic – with only three loans approved in fiscal year 2014.

Number of Approvals SBA 504 loans*	FY09	FY10	FY11	FY12	FY13	FY14
CLACKAMAS, OR	1	3	4	3	4	3
CLARK, WA	2	3	5	4	5	3
COWLITZ, WA	1	2	3	0	1	0
MULTNOMAH, OR	7	9	10	8	10	14
WASHINGTON, OR	4	3	10	5	7	7

*between October 1 and April 4

Looking at approved dollar amounts in the SBA 504 program – despite some increases over the past three years – loan approval amounts are down in three of the five counties, compared to levels in fiscal year 2009. That includes zero 504 loans approved in Cowlitz County through April 14 in fiscal year 2014, and percentage decreases of 19.4 percent in Washington County and 2.5 percent in Clackamas County between fiscal year 2009 and fiscal year 2014. Multnomah County is the bright spot – increasing 81.4 percent in approved value of 504 loans from fiscal year 2009, from October 1 through April 4.

Approval Amounts SBA 504 loans*	FY09	FY10	FY11	FY12	FY13	FY14
CLACKAMAS, OR	\$1,346,000	\$1,655,000	\$3,934,000	\$1,703,000	\$2,869,000	\$1,312,000
CLARK, WA	\$2,169,000	\$2,078,000	\$2,433,000	\$5,057,000	\$3,477,000	\$2,981,000
COWLITZ, WA	\$1,661,000	\$692,000	\$924,000	\$0	\$301,000	\$0
MULTNOMAH, OR	\$5,757,000	\$4,375,000	\$7,223,000	\$6,831,000	\$6,723,000	\$10,445,000
WASHINGTON, OR	\$6,818,000	\$1,533,000	\$4,706,000	\$7,998,000	\$8,541,000	\$5,490,000

*between October 1 and April 4

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